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ABSTRACT

This paper presents the suggestions of the Educational Priorities Panel (EPP) to the New York City Council and the Board of Estimate, concerning the city's educational budget for Fiscal Year 1984. Recent trends in New York City's educational services are reviewed. Noting that the public schools have had to reduce their services due to financial difficulties, and that more funds should be available for 1984, the panel calls for the restoration of some of the services that had been curtailed. The proposed education budget for 1984 is analyzed and areas where the panel agrees and disagrees with proposed budget cuts are presented. The EPP then presents its own budget initiatives for 1984. It calls for an additional $49.1 million in order to restore services, including reduced first grade class size, more full day kindergarten classes, expanded vocational education services, summer school programs that allow high school age students to repeat failed courses, and expanded day care services for student parents. The EPP also calls upon the Board of Education to implement administrative cuts expeditiously so that the full savings projected can be realized. (AOS)

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## The Educational Priorities Panel

95 Madison Avenue
New York, NY 10016
(212) 685-3563

Helen C. Heller, Coordinator

Advocates for Children
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## Management Staff - INTERFACE

251 Park Avenue South
New York, NY 10010
(212) 674-2121

Stanley Litow
David Lebenstein
Robin Willner
Steven Redfield
Susan Amlung
Sandra Moore

## SUMMARY

In its analysis of the proposed education budget for FY'84, the Educational Priorities Panel calls upon the City Council and Board of Estimate to add $49.1 million to the Executive Budget. Of the $81 million in cuts proposed by the Office of Management and Budget, this addition would restore $24.5 million -- those which the Panel believes would severely diminish necessary services for children -- including remedial programs, special education, and lunch costs. The Panel recommends that the remaining funds be used for important new initiatives in the early grades and high schools. They include reduced first grade class size, more full day kindergarten classes, expanded vocational education services, summer school programs to enable all high school age students to repeat failed courses, and expanded day care services for student parents.

This restoration is possible because the Panel's independent revenue projections show that $96-158 million more than the city has estimated will be available for spending next year. If revenues and administrative cost savings are not sufficient to preserve at least the present level of vital city services, the Panel would support local tax increases.

The EPP also calls upon the Board of Education to implement administrative cuts expeditiously so that the full savings projected can be realized.

Only with these actions can the city's school system effectively rebuild pre-fiscal-crisis service levels and begin to provide a quality education for New York City's school children.

### Summary of EPP Funding Request

| | | |
|---|---|---|
| Budget Restorations to Preserve Current Service Levels | $27.0 million | |
| Less Additional Administrative Savings | (2.5) | |
| Total Funds for Restorations | | $24.5 |
| Funding for expansion of services | | |
| - Reduced first grade class size | 17.8 | |
| - Full day kindergarten (no net additional cost; value $5.3 million) | - | |
| - High School vocational programs | 4.0 | |
| - Summer school opportunities | 2.5 | |
| - Child care services for student parents | .3 | |
| Total New Services | | $24.6 |
| Total Funding Increase | | $49.1 million |

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# I. INTRODUCTION

## Trends in New York City Education Services

The 1983-84 school year can be a milestone in the development of the New York City public schools. The new Chancellor has already announced major initiatives for September to bolster the early grades and the high schools. The city's economy is on the rise, providing increased revenue for vital city services. Nationwide, there has been a renewed interest in the public schools, from public officials, academics and leaders of the business community alike who have recognized the necessity of investing in education to maintain this country's position in the world economy.

The city's schools are in an ideal position to benefit from these influences. The groundwork for improvement has been laid, with innovative educational programs emerging in the community school districts, with renewed attention to standards from the central Board of Education, and with new budgetary emphasis on classroom services for children over administration. Moreover, the schools have had the support of the City Council, the Board of Estimate and the Mayor in their efforts to preserve school services during financially difficult times. In each of the last five years, major threatened service reductions have been averted at budget time through administrative savings and additional city funding. (However, midyear budget shortfalls in the 1979-80 and 1982-83 school year did necessitate service reductions.)

Nevertheless, the fact that we have held the line on services for the past five years does not mean that the schools are able to meet the demands put on them in the 1980s. The services lost during the city's

fiscal crisis of 1975 have never been restored. Maintenance of 1,000 school buildings has been cut back to emergency work only. So called "optional programs," including library services, music and art classes have all but disappeared, and even basic supplies like textbooks and paper continue to be scarce commodities.

The level of most basic services has also fallen behind. Tables 1, 2 and 3 show the decline of three service measures, comparing the levels in 1974-75 with more recent years. Table 1 (page 4) shows that the pupil-teacher ratio has increased by 20 percent in the districts and 11 percent in the high schools. (These figures do not reflect average class size because the total number of teachers includes "coverage"* needs.) The increases translate into larger classes, more classes that exceed normal contractual size limits, less personal attention and fewer subject offerings. The school budget would need an additional $226 million next year to achieve the 1974-75 pupil-teacher ratio.

Table 2 shows a similar comparison for tax-levy funded guidance counselors. The loss in the community school districts has been dramatic, with a 31 percent increase in the number of students per guidance counselor in the junior high/intermediate schools. If the ratio of students to guidance counselors were at the 1974-75 level -- which many argue was insufficient -- the community school districts' budget would need to be almost $6 million higher next year. While these tax levy positions have been supplemented in past years with federally reimbursable positions, recent federal budget cuts have now eroded this source of funding.

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* Additional teacher time needed to cover a class when the regular teacher is doing administrative or preparation duties.

Table 3 shows the change in the level of tax-levy-funded instructional paraprofessional services. The number of hours available per student did rise seven percent in the junior high schools, but fell 11 percent in the elementary schools. Coupled with the loss of teachers already discussed, this decline further reduces children's opportunities for individual instruction. It would cost approximately $4.5 million more next year to maintain the 1974 service level in the elementary schools.

These are only a few indicators of the service reductions that currently remain unrestored in the public schools. But even a return to 1974-75 service levels would not represent a comparable situation in the context of increasing technical demands and contracting employment opportunities.

In the following pages, as we analyze the proposed budget and put forth our recommendations for new funding priorities, our underlying premise is that we must take advantage of the improving economic conditions and begin to move forward not only to regain what has been lost, but also to prepare students better for a productive adulthood.

TABLE 1

CHANGE IN PUPIL-TEACHER RATIO
1974-75 to 1982-83

| Pupil-Teacher Ratio[1] | 1974-75 | 1982-83 | % Change |
|---|---|---|---|
| Community School Districts | 23.5 | 28.1 | +20% |
| High Schools | 22.9 | 25.4 | +11% |
| Additional teachers needed to maintain 1974-75 service levels: | 5,420 | | |
| Average teacher salary | $29,400 | | |
| 1983-84 Cost (Approximate): | $226 million | | |

[1] Regular classroom teachers, from Modified Budgets. (CSD figures include special education teachers and students, while high school figures do not.) Registers from OSIS, Educational Management Information Unit.

TABLE 2

CHANGE IN TAX LEVY FUNDED GUIDANCE COUNSELORS
1974-75 to 1980-81

(Ratio of Students per Guidance Counselor)

| | 1974-75 | 1980-81 | % Change |
|---|---|---|---|
| Elementary Schools | 1,111:1 | 1,450:1 | +31% |
| Junior High Schools/ Intermediate Schools | 728:1 | 883:1 | +21% |
| High Schools | 949:1 | 763:1 | -20% |
| Additional district personnel needed to provide 1974-75 guidance service levels: | 139 | | |
| Average salary | $29,400 | | |
| 1983-84 Cost (approximate): | $5.7 million | | |

Source: School Profiles, 1974-75 and 1980-81, Board of Education

TABLE 3

CHANGE IN TAX-LEVY-FUNDED
INSTRUCTIONAL PARAPROFESSIONAL TIME
1974-75 to 1980-81

(Hours per Pupil)

| | 1974-75 | 1980-81 | % Change |
|---|---|---|---|
| Elementary Schools | 15 | 13.3 | -11% |
| Junior High Schools/ Intermediate Schools | 8.6 | 9.2 | + 7% |

| | |
|---|---|
| Additional hours needed in elementary schools to maintain 1974-75 service levels: | 640,328 hours |
| Average hourly wage: | $7.00 |
| 1983-84 Cost (approximate): | $4.5 million |

Source: School Profiles, 1974-75 and 1980-81, Board of Education

Education in the City Budget

Before we examine the specific items in this year's Executive Budget for education, it is revealing to compare the Board of Education's budget to total proposed city expenditures. What is the city's commitment to education as a priority service? How do expenditures for education compare to other vital services and city spending in general? Is the city making the necessary investment in our public students as it builds services back from the nadir of 1975-76?

A comparison of the April Executive Budget with the January Financial Plan clearly reveals that the Mayor has placed the highest priority on avoiding the devastating education cuts forecast in the preliminary budget. The Board of Education has received 56.8 percent of the total citywide restorations to the January plan, and 51.3 percent of the funds for new needs. And the Board's share of the remaining budget reductions is proportional to its share of total city expenditures.

However, if we are to look at equity positively in terms of actual funding, not negatively by measuring cuts, we must compare the Executive Budget to prior actual school expenditures. Restorations to the January Financial Plan are misleading because the plan imposed on the Board of Education an overwhelming share of the Draconian cuts demanded by the Financial Control Board.

If we compare the number of positions funded in the Executive Budget to previous years' staffing levels, instead, education does not fare as well.

According to Table 4, the Board would have 384 more full-time pedagogic staff if its staffing increase were as great as the citywide average increase in personnel since June 30, 1982, or 220 more if we use February 28, 1983 as the base.

TABLE 4

City and Board of Education Staffing Levels

| | Payroll 6/30/82 | Change to Executive Budget FY'84 | % Change | Payroll 2/28/83 | Change to Executive Budget FY'84 | % Change |
|---|---|---|---|---|---|---|
| Citywide Positions | 196,151 | +665 | +.3% | 194,135 | +2,681 | +1.4% |
| BOE Total Positions | 70,891 | -801 | -1.1% | 70,184 | -94 | -.1% |
| BOE Pedagogic Positions | 64,751 | -190 | -.3% | 63,887 | +674 | +1.1% |

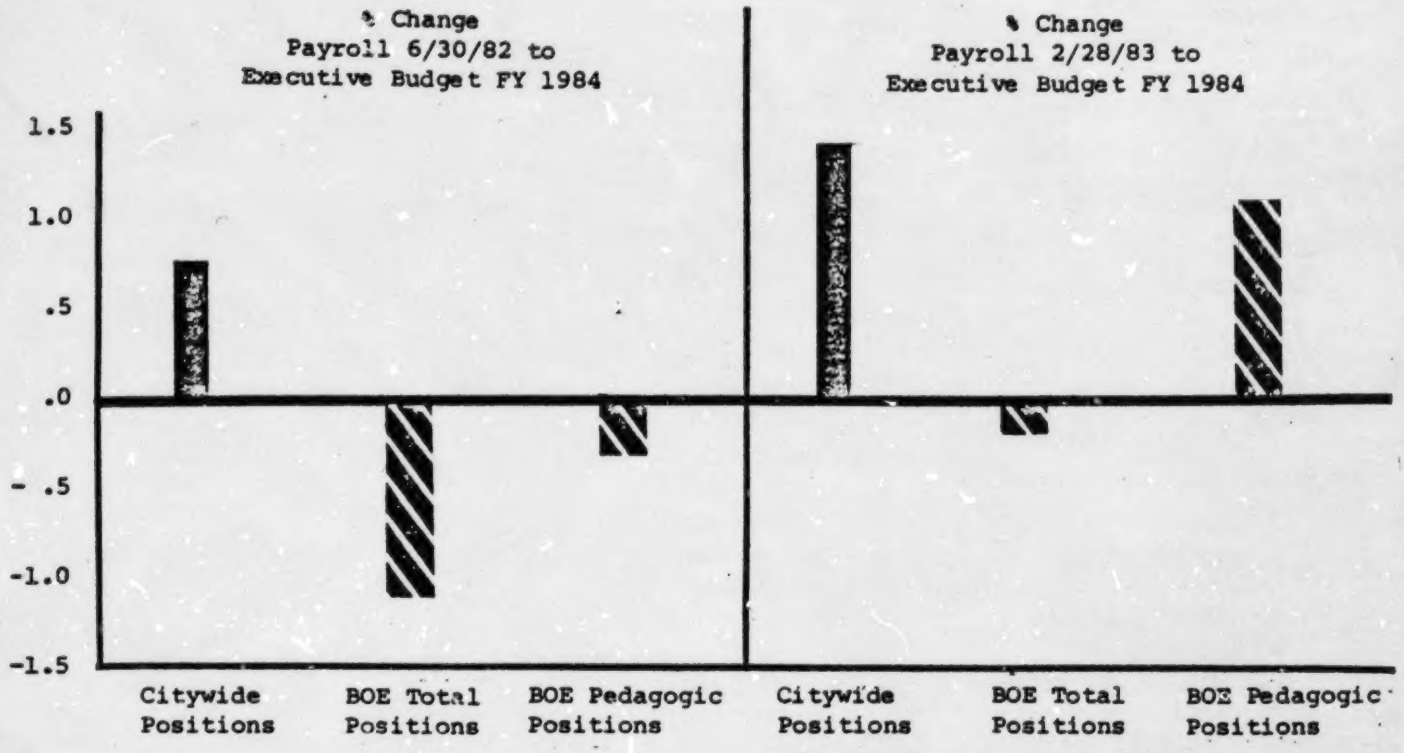
TABLE 5

City, Education and Uniformed Services Spending Levels

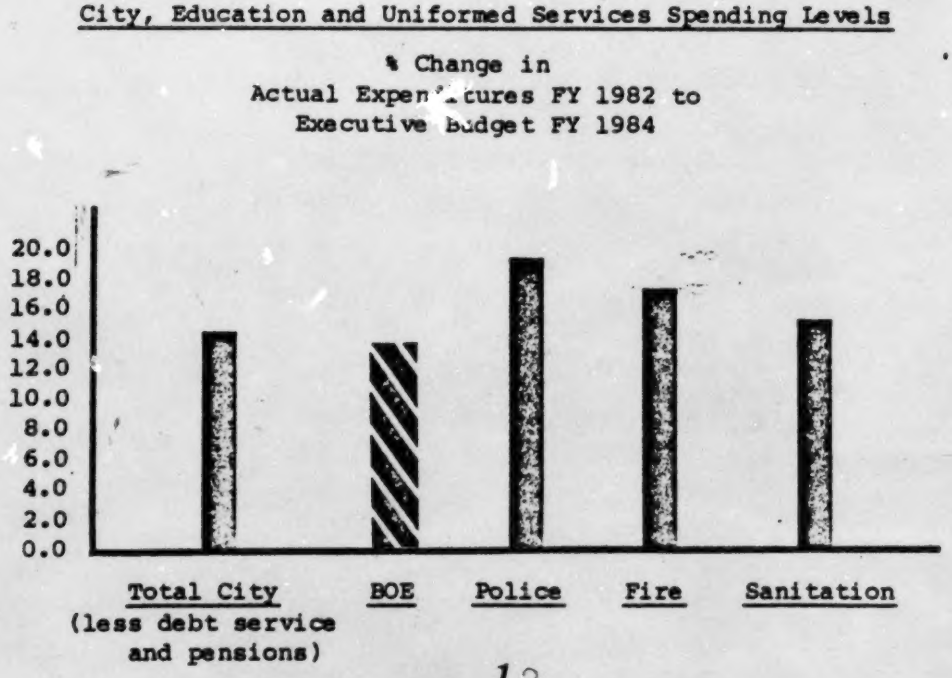
Change in Actual Expenditures FY 1982 to
Executive Budget FY 1984

| | Total City (less debt service and pensions) | BOE | Police | Fire | Sanitation |
|---|---|---|---|---|---|
| $ Change (000's) | +1,681,774 | +408,879 | +152,080 | +70,269 | +50,411 |
| % Change | +14.2 | +13.7 | +19.0 | +17.3 | +15.0 |

## City and Board of Education Staffing Levels




## City, Education and Uniformed Services Spending Levels



If we look at dollar expenditures in Table 5, the same disparity is evident. Expenditures for the Board of Education rose at a slightly lower rate since FY 1982 than total city spending. If education expenditures had increased at the same rate as the overall city's expenditures, the Board of Education would have an additional $16,224,000. When we compare education to other vital services, we see that the Board of Education could have done considerably better. If expenditures had grown as fast as Police, Fire or Sanitation, the education budget would include $160 million, $109 million or $40 million more, respectively.

EPP Tax Policy

Over the past seven years EPP has fashioned an education budget strategy which called upon each level of government to do its part to protect classroom services for children. We have called on the Board of Education to reorder its priorities, make administrative cuts and shift dollars into services. We have asked the city to place a higher priority on education by reducing its PEG targets and adding additional funds to the education budget. We have called upon the state to move toward a more equitable distribution of State aid and have urged the federal government not to abandon its financial commitment to public education. In each of these areas, save the last, we have achieved some success. Yet it is federal tax and spending policies which have caused the gap in the city budget. Therefore, this year, in addition to calling on the Board of Education, the city and the state to protect classroom services for children, we ask the citizens of New York to be mindful of the impact of the federal

reductions and to support cost savings wherever possible and local taxes at the minimum level necessary to preserve current levels of vital city services.*

City Tax Revenues

According to EPP estimates, tax revenues from existing taxes will be higher than the city has assumed in the Executive Budget.

Independent revenue projections made in May 1983 by EPP consultant Georgia Nanopoulos-Stergiou, for both fiscal 1983 and 1984, indicate that the city's budget projections may be low by $25 million in fiscal 1983, and from $96 to $158 million low for fiscal 1984. (See Table 6, p. 12)

For fiscal 1984 the Executive Budget projects locally-derived revenues of $10.222 billion, an increase of $418 million over expected fiscal 1983 revenues. This increase is a result of expected growth in the general property tax (+$190 million), the general corporation tax (+$103 million), the sales tax (+$45 million), and the personal income tax (+$124 million). The expected total net increase is roughly three-fourths of the revenue increase experienced in the last several years.

For the current fiscal year, the city expects to receive $9.804 billion, a growth of $455 million over fiscal 1982. (See Appendix 1.)

Because her model has previously underestimated revenues in the recovery years following each of the last three recessions, Professor Stergiou projects a range of estimated revenues to account for the

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* The Queensboro Federation of Parents Clubs, by an unofficial votes, does not concur with a policy that calls for new taxes.

underestimation. However, that adjustment is smaller than prior underestimates would indicate, because the most conservative projection was desired and the recovery is expected to be modest.

The difference between the city's and Professor Stergiou's projections is largely due to differences in the expected inflation rates. The city projects local area inflation rates of 2.8 percent and 4.1 percent for fiscal 1983 and 1984, respectively. These are lower than the 4.0 percent and 5.3 percent projected by the Drennan-CHR econometric model, used by Professor Stergiou to project local revenues. The higher inflation rates raise the expected changes in local personal income, particularly for social security recipients. Thus, the city's estimated income increases (+5.0 percent and +5.9 percent for fiscal 1983 and 1984, respectively) are lower than the EPP projections (6.3 percent and 10.5 percent, respectively). (See Appendices 2 and 3.)

January to May Changes

Professor Stergiou's January revenue projections changed by $13 million for fiscal 1983 and by $25 million for fiscal 1984 from January 1983 to May 1983. (See Appendix 4.) Revenue projections were adjusted upward because of two factors: one, as previously noted, is that three taxes -- general corporation, personal income, and sales -- tend to be underestimated in the initial period of an economic recovery. Second, the model underestimated tax revenues for the current fiscal year. An error analysis yields higher, revised projections. These were calculated so that the lowest

additional yield was used to establish an upper revenue projection limit, the most conservative approach.

Therefore, the EPP recommends that the city add $100 million to its budgeted revenue estimates for 1984. We believe this addition is well within the bounds of prudent budgeting, while enabling New Yorkers to enjoy somewhat improved services in 1984.

TABLE 6

REVENUE PROJECTIONS
ECONOMICALLY-SENSITIVE TAXES

EPP-Forecasts
Fiscal 1983 and 1984

| Revenue Sources | May 1, 1983 | |
|---|---|---|
| | 1983 | 1984 |
| | ($ millions) | |
| General Property Tax | $3,785 | $4,015 |
| Sales Tax | 1,476-1,501* | 1,542-1,567* |
| Personal Income Tax | 1,303-1,319* | 1,497-1,513* |
| General Corp. Tax | 758-779* | 865-886* |
| Utility Tax | 215 | 226 |
| All Other | 1,990 | 1,913 |
| Subtotal | 9,527-9,589 | 10,058-10,120 |
| Not Projected** | 240 | 260 |
| Total*** | 9,767-9,829 | 10,318-10,380 |
| City of New York | 9,804 | 10,222 |
| Difference (EPP less NYC) | (37)/+25 | +96/+158 |

* A range of estimated values, based on the standard error of estimates, has been provided. An error analysis indicates that these taxes are underestimated for the first year of economic recovery. The average error for the first year following each of the last three recessions was calculated.

** Stock transfer tax; financial corporation tax.

*** Excludes Intra-City Revenues, unrestructed intergovernmental aid, inter-fund transfer, reserves.

Source: Local revenue projections from a tax forecasting model by Georgia Nanopoulos-Stergiou, MPA Program, Seton Hall University.

## II. PROPOSED EDUCATION BUDGET REDUCTIONS SUPPORTED BY EPP

The Educational Priorities Panel seeks to save money in administrative costs at the Board of Education wherever possible for two purposes: first, to preserve classroom services; and second, to help the city reduce expenses in difficult financial times.

Of the $81 million of reductions the Mayor has proposed for the Board of Education, the Panel supports $52.4 million because they would not substantially affect classroom services. In addition, we recommend another reduction of $2.5 million not included in the city's proposal. (See Table 7, page 22.)

Admittedly, with an apparent slowdown in enrollment decline and after years of trimming administrative fat, such savings will not come easily. Recent years' automatic savings of $25 million a year from the loss of 15,000 to 20,000 students will not be available this year. The formerly simple task of reducing excess administrators through attrition must give way to a more aggressive policy of trimming, careful planning, and improvement in operating procedures. The proposed cuts can be achieved, but only with commitment and close attention.

For the past several years, the city has put forth proposals for savings some of which the Board has accepted but never implemented. The problem is that, when budgeted administrative reductions are not made, or are not made in a timely manner, the required savings will eventually have to come from service reductions. And often, when those shortfalls are not discovered until halfway through the year, the reductions that have to be made are twice the magnitude of the

original proposal in order to reach the savings goal in the remaining half of the year. The EPP strongly objects to such a management strategy. The Board cannot delay implementing administrative reductions in hopes of a last minute "bail-out." Administration reductions should be planned well in advance. If additional revenues do come in, the new money can be used for services instead. The actions required to correct midyear deficits are extremely disruptive to student services and are inimical to the kind of planning that produces quality education.

In the following pages, we outline the recommended savings, several of which have been proposed in prior years. We urge the Board to plan now so that the full value of these savings can be realized, and we call upon the new Chancellor and his administration to commit themselves to that goal.

1. Administrative Reductions $18.8 million

The city proposes a $19.5 million savings in district and non-school based administration, to be achieved by reducing districts' administration to their 1980-81 staffing levels, and central offices by 20 percent. The Panel supports the full $14.8 million from the central administrative reductions and $4 million of the $4.7 proposed for the districts.

The city Office of Management and Budget (OMB) has identified an increase of 26 percent in the size of community school district administrative staff between fiscal years 1981 and 1983, from 573 positions to 722. Administrative costs have risen by 32 percent, from

$21.41 per pupil to $28.16. OMB identifies $4.69 million in savings that would be realized by returning to the $21.41 per pupil expenditure level. This means 26 fewer administrators, a 10 percent reduction in administrative personnel. This level is lower than 1981's staffing level because of rising costs. Because district enrollment has remained fairly constant since that time, the Panel supports a reduction to the 1981 staffing levels, rather than the 1981 expenditure level. The savings achieved by this reduction would be $4 million.

The reduction of non-school based administration, which explicitly excludes school safety, transportation and food services, would mean a reduction of approximately 550 administrators from central administrative offices, the Division of High Schools, the Division of Special Education, the Office of Pupil Personnel Services (excluding security officers and attendance teachers) and the Office of Promotional Policy. It is the EPP's position that the first step in realizing this saving must be the clearing of vacant administrative lines from these offices, as the Board did successfully in 1979. As of December, 1982, there were more than 200 vacancies in these offices. Reducing the Board's administrative positions by this number would reduce the budget for administration without any effect on filled positions. The remaining cutbacks, approximately 350, would mean only a 13 percent reduction in filled administrative positions. Of course, the new Chancellor should be allowed the flexibility to fill the positions of his choice within that level of staffing, adjusting budgeted lines as necessary. However, this must not affect the overall reduction in administration.

While seemingly straightforward, administrative reductions seem to be the most difficult for the Board to implement, as shown by the experience in this year's midyear budget shortfall. Although the Board implemented a seven percent reduction in August 1982, it had hired more than 130 new administrators during the preceding three months. When the time came for actions to reduce expenditures in February, potential savings were greatly reduced: only four months of savings could be realized instead of a full year's, and unemployment insurance had to be paid to people who were laid off. This year the proposed reductions must be taken before the school year begins. Of course, existing staffing levels should not be increased between now and the end of the current fiscal year. The City Council and Board of Estimate should be provided with reports of how these reductions have been implemented, followed by payroll data.

2. Consolidation of School Buildings $1.7 million

The Panel supports OMB's recommendation to save $1.7 million through school closings and/or reorganizations. Although the dollar saving for this proposal is small, its cumulative effects are important, since savings will continue each year. The city has made this proposal in each of the past three years and the Board, while accepting it, has never carried it out.

There are currently more than 200 elementary and junior high schools operating at less than 60 percent of capacity. While selecting schools to close is always difficult, this large number leaves wide latitude, since only ten schools need to be closed to

reach the proposed savings. In 1980, the City Planning Department estimated that closing an elementary school would save approximately $100,000, and closing an average-sized junior high school would save $200,000. Since then, custodial costs have increased more than 15 percent due to new contract settlements, increasing the potential saving.

While OMB is focusing on closing elementary and junior high schools, the Panel recommends that high schools also be considered. Though high school enrollments have declined by roughly 50,000 students since their peak in 1976, there has been no reduction in the number of vocational and academic high school buildings in use. Therefore, there is space to allow some building consolidation.

Another reason for considering closing high schools is that since the buildings are larger than the lower schools, the savings realized are greater. The major savings achieved by closing a school building are custodial and energy costs, which are far greater for the high schools because of the larger size of the buildings. The exact level of savings depends on the individual school chosen, and the offsetting costs of moving, securing the building and transferring it to new use. The City Planning Department estimated in 1980 that closing a high school would, on average, generate $300,000 in savings, three times the savings realized from closing elementary schools. Closing high school buildings would reduce the total number of schools that need to be closed to achieve the required savings.

The projected savings are based on a full school year. The process of closing schools is difficult and time consuming, as the

EPP noted in its 1980 study, but it can be done successfully. Having accepted this reduction, the Board must follow through immediately with the necessary procedures so that the buildings can be closed and alternative uses found.

3. Special Education $5.7 million

Of the $10.5 million in savings in special education proposed by OMB, the Panel endorses $5.7 million to come from Medicaid reimbursements for school health services to Medicaid-eligible special education students. Before discussing savings in special education, an important caveat must be made clear. Reductions are possible only if the city meets its commitment to fund all mandated costs. This commitment was made for the current year, and was ultimately met. For next year, the city has already added $40 million to the special education base budget and has committed an additional $25 million to be provided when special education classes are established, and more if there are new needs. Recent rulings in the court cases involving special education are enforcing legal requirements on the system, the financial effects of which cannot be precisely predicted. The city and the Board must continue their cooperation as developments unfold. Children with handicapping conditions must be appropriately served. The city's promise to cover necessary costs, however, does not obviate the need for the Division of Special Education to streamline its management wherever possible.

The proposed saving is to come from state Medicaid reimbursement for school health and testing services provided to Medicaid-eligible special education students. The city has based its estimate of savings on the cost of the Board's contracting out to current

Medicaid providers. However, the Panel believes that such a plan would discriminate against the Medicaid-eligible children: instead of being served with their peers, they would have to leave the school, which would stigmatize them and disrupt their school day. Instead, the Panel favors the Board's plan, which is to obtain Medicaid provider status in order to be reimbursed for services provided in the schools, so that all children would receive the same services in the same manner. The city and the Board must work actively to get approval from the state for provider status. With plans the Board has been developing for the past several years, the three months remaining before the start of school should be sufficient time to receive state approval and prepare for the necessary administrative procedures. However, once again, this savings will be realized only if the approval is aggressively pursued in Albany -- a mere pro forma request will not elicit the desired response.

4. Annualization of Midyear Reductions $4.2 million

As part of its budget balancing reductions in February, the Board implemented a series of budget reductions. OMB has estimated the annual value of those savings at $4.2 million, an estimate that the Board has accepted. The Panel endorses this saving, in addition to the 20 percent administrative reduction proposed for the coming year.

5. Enrollment Decline $10.2 million

The City and Board of Education have agreed on a $10.2 million saving that will be realized from an enrollment decline of 5,000

students. This is the net change that is anticipated from growth in the districts and continued decline in the high schools.

6. Reduction in the Promotional Policy due to Lower Enrollment Estimates — $7.2 million

The October 1982 enrollment in Promotional Gates classes was 18,300. This was 7,200 seats below the 25,500 assumed in the summer allocation for the Promotional Policy. As a result, expenditures were approximately $6.7 million below projections for the current year. OMB is assuming that the register will remain stable in the Gates classes and is therefore estimating a savings of $7.2 million for next year (factoring in the increases in salaries). The Panel supports this reduction, with the understanding, as explained in the Mayor's budget message, that this will not reduce the funds originally scheduled in the Promotional Policy Unit of Appropriation that were later transferred to the districts' U/A for early childhood programs. These funds were removed from the Promotional Policy's U/A before the $6.7 million saving was realized and are unrelated to the savings in the Gates classes.

7. Savings Outside of the Board of Education's Responsibility — $5.6 million

While the Panel has not analyzed the impact or feasibility of savings proposed for the Fashion Institute of Technology ($877,000) or the savings in pensions ($4.7 million), it bases its approval of these savings on the expectation that these reductions will be taken in a manner that will not affect the Board's available funds.

8. Board of Examiners $2.5 million

The Panel supports one additional administrative reduction that is not included in the Executive Budget: elimination of tax levy funding for the Board of Examiners. Of course, the Panel recognizes that quality education depends on having a means for identifying and hiring the most qualified personnel, but the existing system run by the Board of Examiners fails to provide a meaningful review. Moreover, New York City is the only school system in the state that is forced to shoulder the cost of its own testing system. Since teacher licensing and certification are state mandated, the Educational Priorities Panel maintains that the state must develop and fund a new system that leads to the selection of the most qualified candidates. The city and the Board must make new state legislation a priority in their legislative programs if we are to be relieved of what is, in essence, an unfair tax on New York City residents.

TABLE 7

EDUCATION BUDGET REDUCTIONS SUPPORTED BY EPP*

| | | ($000,000) |
|---|---|---|
| A. | OMB Proposed Funding Reductions Supported by EPP | |
| 1. | Administrative Reductions | |
| | a. Reduction of community school district administration | $ 4.0 |
| | b. 20% reduction in non-school based administration | 14.8 |
| 2. | School Consolidations | 1.7 |
| 3. | Medicaid reimbursement for Special Education | 5.7 |
| 4. | Annualization of FY'83 reductions | 4.2 |
| 5. | Enrollment Decline -- 5,000 students | 10.2 |
| 6. | Reduction in Promotional Policy due to lower registers | 7.2 |
| 7. | Savings outside the Board of Education's responsibility<br>- Fashion Institute of Technology<br>- Pension adjustment | 5.6 |
| | Total Proposed Reductions Supported by EPP | $52.4 |
| B. | Additional Reductions | |
| 1. | Elimination of the Board of Examiners | 2.5 |
| | | $54.9 |

TABLE 8

PROPOSED EDUCATION FUNDING REDUCTIONS OPPOSED BY EPP*

| | | |
|---|---|---|
| 1. | Use of federal funding increases to reduce tax levy expenditures | $21.0 |
| 2. | Increased school lunch prices | .6 |
| 3. | Special Education Mainstreaming | 4.7 |
| 4. | Remainder of community school district administrative reduction | .7 |
| | | $27.0 |

* Tables 7 and 8 do not add to the full $81 million Board of Education budget reduction because of rounding and technical adjustments.

## III. PROPOSED EDUCATION BUDGET REDUCTIONS OPPOSED BY EPP

There are $27.0 million in reductions proposed by OMB that the EPP opposes because they would directly affect services for children (see Table 8, p. 22). They are included in the three items discussed below. However, since the EPP has identified $2.5 million in additional savings from elimination of the Board of Examiners, the net sum needed for restorations is $24.5 million.

### 1. Substitution of Tax Levy Funding with Federal Chapter I Funds — $21 million

At the beginning of the 1982-83 school year, federal Chapter I (formerly Title I) funds for remediation were cut drastically and the programs throughout the districts and high schools were reduced. Subsequently, new appropriations were made by Congress to correct the inequities in the formula used by the Department of Education to distribute aid. These funds were not available to the Board of Education until midyear at the time that the schools were struggling to avoid a deficit. The funds were used to fill the projected budget gap, rather than to re-start remedial programs, which would have brought services back only to last year's level. This year, the city is proposing that $21 million in federal Chapter I funds continue to be used to replace tax levy funding. These programs may be "supplemental" when compared to the regular program, but they are not supplemental to the city's prior remedial efforts. Although the dollars would be targeted at the appropriate populations, there is a net decrease in remedial services. The city

should provide the $21 million in city tax levy funds for remediation so that the federal dollars can be used for truly supplemental services.

There is a great need for additional remediation services, as the promotional gates program has made clear in the last two years. The EPP believes it is especially important to provide additional services to those fifth and eighth graders who barely passed the promotional gate in the fourth and seventh grades and those who had to repeat those grades. Their need for remediation does not end once they have passed the test, and they will continue to need added support for the following year at least. Another group in need of additional remediation is those eighth and ninth graders who are in danger of not meeting high school admissions criteria.

2. Annualization of Midyear Service Reductions - School Lunch Prices $.6 million

In addition to the administrative reductions discussed in the previous section, the Board of Education met its required February funding reductions by increasing school lunch prices by five cents. The Panel opposed this service reduction at the time it was imposed because it was an unfair tax on poor children. OMB estimates that the annualized value of this reduction is $.6 million. Now that the city's revenues are increasing, and with increased state aid for education, the reduced price should be restored.

3. Special Education Mainstreaming $4.7 million

The city has proposed a savings of $4.7 million to be achieved by placing 8,000 incoming special education students into mainstreamed settings instead of self-contained classrooms.

The Panel believes this saving is illusory. There is no proof that mainstreamed settings cost less, considering the mandated support services that must be provided and the fact that state aid for mainstreamed children in resource rooms for only part of the day is considerably less than the aid for children in self-contained classrooms all or most of the day. In addition, until more exact projections of the number of special education students to be placed are available, any estimates of savings must be extremely tenuous. The EPP supports management savings in special education (the 20% administrative reduction being required for central divisions will affect the Division of Special Education as well), but not savings that will diminish needed services for children.

4. Community School District Staff $.7 million

The Panel opposes $.7 million of the $4.7 million reduction in community school district administration, as explained on p. 14, to allow districts to reduce staff to 1981 levels, rather than to return to 1981 spending levels.

## IV. EPP INITIATIVES FOR 1984

Restoring $24.5 million to the Board's budget as the EPP recommends would allow the schools to maintain their current level of services. However, it would provide funds for no new programs, no expansion of existing programs and no progress in returning to the level of service offered before the city's 1975 fiscal crisis. Such a standstill situation would, in fact, be a step backwards for the city's school children, in the context of increasing technical demands and contracting employment opportunities. The rising national tide against educational "mediocrity" reflects the recognition that quality education is a necessity in today's society. We cannot be satisfied with "holding the line." The Educational Priorities Panel calls on the City Council and Board of Estimate to propose, and the Mayor to endorse, $24.6 million in new school services -- $17.8 million for the lower grades, and $6.8 million for the high schools.

The programs the EPP recommends below are not simply revivals of pre-1975 services. They represent new priorities that grow out of the lessons we have learned and the needs that have emerged during the past several years. Although many of the services lost were extremely valuable for school children, the members of the EPP, recognizing the need to select only a few among many desirable programs, have chosen these initiatives as the best ways to use limited available funds.

### Early Grade Initiatives

1. Reduced First Grade Class Size — $17.8 million*

Early grade preventive programs are the most important initiatives that the schools can undertake. They benefit children and they conserve school resources.

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* Excess cost based on starting teacher salary for newly hired teachers.

The Panel asks the City Council to allocate $17.8 million to the districts so they can have the opportunity to move boldly to reduce first grade class sizes. This sum, added to the districts' Module 2 allocation, would allow for an average of 25 children in a class, excluding special education classes, as detailed in Table 9.

The experiences of children in their first few years in school may shape the rest of their academic careers. Problems that arise in later years often have their roots in the early grades; in fact, experienced teachers can often identify potential problems in a child's first year of school. Giving children extra attention early can prevent many of these problems and also further the development of children who are gifted or talented.

The additional cost of reducing class size to 25 for all first graders is $250 per child. This expenditure can help eliminate the need for much more costly remedial programs later. For example, the Board estimates that the additional cost above the basic expenditure for educating each first year Gates holdover is $1,000. The State Education Department estimates that resource room services cost about twice as much per child as regular classroom services. So, though it takes a large sum of money to start a program of reduced class size, that investment yields savings that are much greater in the long term. Although the need for remedial programs will never be entirely eliminated, by reducing the number of students participating, the services that are available can be concentrated on those with the greatest need. Of course, this initiative would have an even greater impact on student achievement if, in subsequent years as money becomes available, class sizes could be reduced in the other primary grades as well.

TABLE 9

Estimated New Costs for Reducing
First Grade Average Class Size
to 25 Students in the 1983-84 School Year[1]

| | | |
|---|---|---|
| NEW TEACHERS REQUIRED | 712 | |
| COST OF NEW TEACHERS (Number of Teachers x Average Starting Salary) | | $11.82 million |
| BREAKAGE ALLOCATION (5% of allocation) | | .59 |
| OCCASIONAL ABSENCE COVERAGE (Number of Teachers x 8 days x Average Substitute Rate) | | .32 |
| FRINGE BENEFITS AND PENSIONS AT 40% | | 5.09 |
| TOTAL COST | | $17.82 million |

[1] Based on the district allocation formula, assuming an average starting salary of $16,600 (present starting salary plus 15% for contract increases), and a first grade register of 70,000.

Today, many elementary school classes contain 35 to 40 children although the average class size is lower.* Teachers cannot treat children as individuals when they are forced to manage a class of 35 or 40. And children find it difficult to learn to read -- the crucial task of first graders -- under such circumstances. While research on the value of reduced class size has shown mixed results for small changes, there are significant achievement gains when classes approaching 40 students can be reduced by 10 or 15 children. With an average of 25, many classes would have even fewer students. Class size reduction would be dramatic, especially in some districts that are now overcrowded, and, we expect, so would the results.

In 1979-80, the city, at the urging of the City Council and Board of Estimate, reduced first grade class size and now those children's reading scores are higher than those of their predecessors, according to the Board of Education's preliminary report of 1982 test scores. While such a finding alone cannot be accepted as proof of the program's value, it does strongly suggest that it was an experiment worth pursuing. Moreover, researchers have found that with even small reductions in class size, teachers become more willing to try innovative programs, which in turn gives children more diverse opportunities to learn.

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* The Board of Education reported, for 1980-81, an average class size of 29. This average is depressed by the much-smaller special education classes.

No additional funds.

2. Expansion of Full Day Kindergarten — Value: $5.3 million

With substantial new funding given to the districts to reduce first grade class size, the small allocation in Module 5B for this purpose would no longer be necessary. Instead of reducing the 5B allocation, we propose that those funds be used to expand full day kindergartens, one of the programs that districts can fund from Module 5B. This year, districts spent approximately $4.5 million of the module on reducing first grade class size. Leaving these funds in the module and increasing them to reflect the new contract settlement would mean an additional $5.3 million available for full day kindergarten classes. This would pay for enough teachers to create 360 additional full day kindergarten classes, for a total of 640, which would more than double the existing number of 280.

Many parents and educators place a high priority on full day kindergartens because they are very beneficial for many children. The increased opportunities for socialization, reading readiness experiences and cognitive development are the primary benefits. Other benefits include the advantage for working parents and the introduction to public schools for many parents who might otherwise send their children to private kindergartens and then retain them there for the rest of their schooling.

The Panel has a long-standing position in support of full day kindergarten. The new Chancellor has also cited full day kindergarten as an important priority for his new administration, and we agree that districts should be able to expand their offerings.

High School Initiatives

So far, the Panel's initiatives have addressed the needs of children in the early grades, where the foundation for a good education must be laid. However, the same principles of responding to different students' needs and providing appropriate programs must be carried through in every grade. Appropriate programming includes training in specific subject areas, career and college preparation, ongoing efforts to identify personal and learning problems, and remediation for those who need it.

In recent years the Board and city have made significant strides in offering appropriate high school programs in two areas -- in vocational education and in remediation. The Panel has followed these developments carefully and offers several new initiatives in these areas.

1. Expansion of Vocational Education Opportunities $4 million

The Panel asks the City Council to restore $4 million to the Board's budget for the expansion of vocational education opportunities. This year, following recommendations made by the Panel, the state increased its reimbursement for vocational program costs. This reform, which is an important first step in achieving parity between city and non-city funding formulas, added $7 million to the Board's state aid. With these funds available to finance existing vocational programs, the city can allocate a portion of its tax levy dollars to fund vocational services that are not eligible for state funding. The Panel asks the City Council to allocate funds for expansion of the TOP program and for increased supplies and

support services for vocational programs. Each of these is explained in greater detail below.

a) Expansion of the Training Opportunities Program $ .5 million

The Panel recommends that $500,000 be allocated for expansion of the Training Opportunities Program. Based on the Board's evaluation and on the Panel's own monitoring efforts, the program has successfully placed students in real work experiences. These placements acquaint students with the appropriate behavior and responsibilities of holding a job, as well as giving them training not available in the schools and opportunities to work on equipment that the schools cannot afford. Recognizing the quality of TOP, the State of New York has ranked it first in the state in the competition for the U.S. Department of Education Secretary's Award.

In addition, the funds allocated to the program have been maximized in two ways: first, by identifying employers who can receive Targeted Jobs Tax Credits for their student workers, eliminating the need for tax levy salary supplements; second, by matching schools' allocations for teacher monitoring and counseling time to the actual number of students participating. Because of these savings, the program has been able to expand into additional schools at no additional cost. The need for these kinds of placements is clear because many programs have been asking to become part of TOP. The small allocation being requested can increase the the number of children served from 1,500 to approximately 2,000, giving them the real world opportunities that often make them qualified for their first job and able to receive the greatest value from their formal education.

b) Vocational Program Supplies $2.5 million

A major constraint on vocational programs is the lack of money for supplies. Virtually every program has necessary Other Than Personal Service expenditures (OTPS) -- wire, fuses and components for electronics programs, test tubes, bandages and microscope slides for health career programs, materials and instructional manuals for data processing courses, and so on. The Board's allocation formula used to determine OTPS funding has not been updated for more than 10 years, and so bears no resemblance to real costs. Even worse, the actual allocations are reduced by as much as 50 percent below the formula-driven levels every year due to lack of funds. Table 10 shows the formula allocations for the occupational areas, which, in 1982-83 were reduced by almost half. This means that schools received less than $2.00 per student in a shop program, and slightly more than $1.00 each for students in business programs. A few examples will illustrate the inadequacy of the funds: non-reusable kits for students in electronics programs range in cost from $7 to $40; cosmetology kits cost $25 to $50; sample medical forms for teaching clerical skills in medical office assisting programs cost $8 a set. As the Panel found in its study of vocational education, Learning to Work, these are typical of the supply needs that go unmet in vocational programs.

The Panel's $2.5 million request includes an increase of $15 for every pupil in vocational, industrial arts and home economics courses, plus full funding of all components of the existing OTPS allocation formula, not just the career related components. It does

TABLE 10

OTHER THAN PERSONAL SERVICES
ALLOCATIONS FOR VOCATIONAL EDUCATION
AND INDUSTRIAL ARTS

| | | |
|---|---|---|
| Business office and secretarial training; dental and medical assisting | $2.00 | times # of students times periods per day |
| Drafting, mechanical drawing, commercial art | 2.30 | " |
| Transportation-automotive, aviation and allied subjects, general shop, maritime trades, repairs, graphic arts & printing, plumbing, communications, refrigeration & allied subjects, cosmetology | 3.30 | " |
| Ceramics, crafts, wood, metals, photography, machines & metal shops, electronics | 4.30 | " |

Source: Comparative Analysis of the Organization of High Schools, Board of Education

not make sense to expect a school to buy specialized supplies when it cannot afford paper for students or phone calls to help improve the attendance of students at risk of dropping out. Even the $15 per student does not reflect full costs, but will be a major improvement in the schools' ability to provide vocational programming.

c. Targeted Funds for Vocational Education Development $1 million

There are many areas in vocational programs where a small amount of money can lead to much greater benefits, because the allocation can bring in resources from outside the schools. For example, allocation of teacher time for outreach to the business community brought one city high school an expensive main frame computer. An additional unit for vocational guidance can prepare students to take private sector placements, where they benefit from advanced training and real work experience. More important, the program can attract stipend funds from the Private Industry Council or the new Job Training Partnership Act. And many of the students, who otherwise would not be qualified for stipends, will be paid directly by the private sector. Funds for curriculum development will attract the loan of industrial personnel to review the curriculum and offer existing private sector training packages. A small allocation for a technical teacher can help to transfer a new curriculum from one school to a second, thus doubling the number of students who benefit from the program. The bottom line is that this $1 million will generate millions in other funds and improved programs for tens of thousands of high school students.

Another important use for these funds is to address problems of sex equity in vocational education programs. EPP's study, Learning to Work, demonstrated the need for active outreach and plans to attract girls to nontraditional fields.

This funding request would allow schools to develop the opportunities described. The funds should be allocated to the discretionary units of the executive director of the High School Division, who would distribute units to schools based on principals' plans for their use. This allocation will extend the benefits of existing programs to a broader population for a minimal cost and will allow the development of essential links with the private sector.

2. Expansion of summer school opportunities for high school age students $2.5 million

Summer school programs are already offered to high school seniors who have failed a course and who will not graduate without completing it successfully. The same option of repeating a failed course should be available to all high school students, regardless of their grade, as it was before 1975. Giving students the opportunity to catch up over the summer will strengthen their chances of moving forward when the regular school year resumes.

This approach to remediation will require no new curriculum, since students will be repeating a specific subject. Methods for notifying students of summer school opportunities are already in place for seniors and can easily be extended to the remaining students, and school buildings will be opened for existing programs as well. If courses are offered in subjects that students frequently fail, there will be no difficulty filling these classes.

Summer school opportunities should also be made available to eighth graders who have not met the entrance requirements for high school. Many of these students may have been close to meeting the criteria, and others may have fallen below only because of the nature of the measuring tool used. These students deserve a chance to retake the tests in August, with additional work over the summer, so that one test score does not hold them back unfairly. Here, too, the models exist, based on the seventh grade Gates extension programs, and the schools will be open for those programs. While there are clearly problems with the summer Gates programs that must be worked out, nonetheless, more than 7,000 students were promoted at the end of the summer. The programs should be studied to identify how they can be improved, but meanwhile, they should be expanded to give at least some eighth graders a chance to reach the standards for high school entrance.

3. Expansion of Child Care Services for Student Parents $300,000

Building on the success of the LYFE Program which was funded within the Board of Education budget last year, the EPP proposes that funds be allocated for three additional child care centers to address the day care needs of student parents. These centers would be operated by community-based child care providers using school facilities. (Many of these student parents are eligible for Title IV-A child care stipends and when procedures are worked out, it may be possible to repay the city up to $230,000 with these funds.) Day care services are crucial to keep student parents in school and attending regularly.

Conclusion

The City Council and Board of Estimate have an important responsibility now. They can seize the moment and take advantage of the improved economy, of the spirit that comes with a new administration, and of the renewed concern of the nation that our schools measure up to the demands of an increasingly technological society. They can provide the funds, as they have in the past, that will allow our public school system to rebuild. Further, they can provide the funds so the schools can move boldly to give children a firm foundation to prevent failure and dropouts in later years. Or they can not provide the funds and allow the system to erode in small but telling ways. If they choose the latter, however, we must not be surprised if the schools have to keep creating costly new programs for holdovers in the upper grades. And we must not be surprised when businesses look elsewhere for a more skilled labor force. The choice and the consequences go together.

APPENDIX 1

REVENUE PROJECTIONS
CITY OF NEW YORK
Fiscal 1983 and 1984

| Revenue Sources | Fiscal 1983 Financial Plan (1/83) | Fiscal 1983 Executive Budget (5/83) | Fiscal 1984 Financial Plan (1/83) | Fiscal 1984 Executive Budget (5/83) |
|---|---|---|---|---|
| | ($ millions) | | | |
| General Property Tax | $3,753 | $3,779 | $3,952 | $3,969 |
| Sales Tax | 1,495 | 1,495 | 1,563 | 1,540 |
| Personal Income Tax | 1,329 | 1,345 | 1,442 | 1,469 |
| General Corp. Tax | 700 | 770 | 807 | 873 |
| Utility Tax | 206 | 208 | 202 | 205 |
| Subtotal | 7,483 | 7,597 | 7,966 | 8,056 |
| Financial Corp. Tax | 120 | 120 | 150 | 140 |
| Stock Transfer Tax | 120 | 120 | 120 | 120 |
| All Other* (Excludes Intra-city Revenues**) | 1,982 | 1,967 | 1,836 | 1,906 |
| Total* Change from 1/83 | 9,705 | 9,804 | 10,072 | 10,222 |

* Excludes city-estimated Intra-city Revenues of $323 million for fiscal 1983 and $349 million for fiscal 1984. Also excludes: transfers from capital fund ($81 million in fiscal 1983 and $93 million in fiscal 1984); unrestricted intergovernmental aid ($996 and $1,043 million in 1983 and 1984, respectively); disallowances against categorical grants ($15 million in each fiscal year).

Sources: City of New York
- Financial Plan for Fiscal 1983 through 1987, 1/83.
- Executive Budget, Message of the Mayor, Fiscal 1984, 5/83.

APPENDIX 2

Projections of Key Economic Indicators
Drennan-CHR Model
Percent Changes

| | 1983 | | 1984 | |
|---|---|---|---|---|
| | 1/83 | 5/83 | 1/83 | 5/83 |
| **United States** | | | | |
| GNP (1972 $) | +2.5% | +2.2% | +4.2% | +4.3% |
| CPI (1967=100) | +5.0 | +4.0 | +5.9 | +5.3 |
| Unemployment Rate (not % Change) | 10.1 | 10.3 | 8.8 | 9.3 |
| Personal Income (current $) | +7.2 | +5.8 | +9.4 | +8.0 |
| Corporate Profits (current $) | +12.4 | +4.0 | +19.8 | +19.7 |
| **New York City** | | | | |
| CPI | +6.0 | +4.0 | +6.0 | +5.3 |
| Employment | (0.6) | +0.2 | +1.5 | +1.8 |
| Personal Income | | | | |
| (Current $) | +6.7 | +6.3 | +10.2 | +10.5 |
| (1972 $) | +1.4 | +1.7 | +3.9 | +4.7 |
| Total City Income (1972 $) | +1.3 | +2.5 | +3.7 | +4.0 |
| City Export Income (1972 $) | +2.8 | +2.7 | +3.4 | +5.6 |

Using OMB* National Assumptions
in Drennan-CHR Model

| | | | | |
|---|---|---|---|---|
| Total City Income | +0.8 | +3.2 | +4.2 | +3.8 |
| City Export Income | +2.4 | +3.4 | +3.9 | +5.4 |
| Employment (NYC) | (1.5) | +0.5 | +1.6 | +1.2 |
| Personal Income (NYC) (Current $) | +10.6 | +7.0 | +10.8 | +10.2 |

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* OMB = City of New York, Office of Management and Budget.

Source: Drennan-CHR Econometric Model of the Local Economy developed by Matthew Drennan, Professor of Economics, Graduate School of Public Administration, New York University.

APPENDIX 3

PROJECTIONS OF KEY ECONOMIC INDICATORS
CITY OF NEW YORK
Percent Changes

| | 1983 | | 1984 | |
|---|---|---|---|---|
| United States | Financial Plan | Executive Budget | Financial Plan | Executive Budget |
| GNP (1972 $) | +2.4% | +3.2% | +5.0% | +5.1% |
| CPI (1967=100) | +5.0 | +2.6 | +4.9 | +4.5 |
| Unemployment Rate (not % Change) | 10.5 | 10.0 | 9.2 | 8.9 |
| Personal Income (current $) | +7.0 | +5.8 | +9.5 | +8.4 |
| Corporate Profits (current $) | +10.2 | +20.6 | +21.5 | +26.1 |
| New York City | | | | |
| CPI | +4.7 | +2.8 | +4.6 | +4.1 |
| Employment | +0.6 | +0.5 | +0.8 | +1.2 |
| Personal Income (Current $) | +5.6 | +5.0 | +5.6 | +5.9 |

Source: See Appendix 1.

APPENDIX 4

EPP Revenue Projections, January 1, 1983
Economically - Sensitive Taxes
Fiscal 1983 and 1984

| Revenue Sources | January 1, 1983 | |
|---|---|---|
| | 1983 | 1984 |
| | ($ millions) | |
| General Property Tax | $3,776 | $4,015 |
| Sales Tax | 1,474 | 1,567 |
| Personal Income Tax | 1,300 | 1,416 |
| General Corp. Tax | 758 | 865 |
| Utility Tax | 215 | 227 |
| All Other | 1,990 | 1,913 |
| Subtotal | 9,513 | 10,003 |
| Not Projected* | 240 | 270 |
| Total** | 9,753 | 10,273 |
| City of New York | 9,705 | 10,072 |
| Difference (EPP less NYC) | +48 | +201 |

* Stock transfer tax; financial corporation tax.

** Excludes Intra-City Revenues, unrestructed intergovernmental aid, inter-fund transfer, reserves.